
EFFICIENCY

AN ADDRESS

by

FRANK TRUMBULL

at the dinner of the

CANADIAN CLUB of NEW YORK

March 14, 1911

325

T. 70

Mr. President

and Members of the Canadian Club :

The Interstate Commerce Commission handed down, nearly three weeks ago, its decisions on the proposed increases in freight rates. I think three things may be affirmed about these decisions :

FIRST.—They have put at least one brake upon higher costs in this country.

SECOND.—They have put another brake upon voluntary reductions of rates because, under the new law and these decisions, the burden of proof for future increases or restorations is upon the railroads.

THIRD.—The present law amply protects the shippers of this country against extortionate rates. America has already the lowest rates and the highest wages in the world and apparently is to retain both.

I made no predictions before the decisions were rendered ; I make none now as to their ultimate effect. There is one bright and shining sentence in them, to wit : "Our railroad management should have wide latitude for experiment ; it should have such encouragement as will attract the imagination of both the engineer and the investor." The response which the country will, in the long run, give to this sentiment

is the important and far-reaching answer. The crop of short-term railroad notes now coming out would indicate that the country's "imagination" is still a little near-sighted, but it may get over that and we hope it will. We hope the Interstate Commerce Commission is right. Some phases of the decisions might have been appealed to the newly created Interstate Commerce Court, but the railroads have accepted the verdict of the Commission and are going ahead to do the best they can. They look forward, not backward.

During the discussion a new slogan—EFFICIENCY—has captured the country. Brandeis is the man of the hour. His figures look large to most of us, but the idea will survive and should be cultivated in all lines of business. The total expenditures last year by the railroads of the United States for repairs to all the locomotives and all the cars and for engine fuel amounted to about \$600,000,000. It is claimed that we can save half of that, or \$300,000,000 a year. When I read "\$300,000,000" I thought of the story of the Grant family. It is said to be one of the oldest families of Scotland, and the tradition is that the verse in the Bible which reads, "There were giants in those days," is a misprint; that it should read, "There were Grants in those days." I thought perhaps "\$300,000,000" was a misprint and it was meant to read \$30,000,000,

but we will not quarrel over figures. If even \$30,000,000 can be saved it is certainly worth saving. I read in the *Sun* one day last week that the average cost of a cold in the head is \$44.34—and I have read somewhere, “If you see it in the *Sun*, it’s so.” What a railroad official wants to know is this: If his company can reduce the cost of the cold in its head from \$44.34 to \$37.34, *who will get the seven dollars?*

We are counselled to look in, not out. My suggestion is that we do both. First, let us look in. If you should write a letter to an American railroad official, his corporation will have to haul a ton of freight—two thousand pounds of average freight—coal, ore, silks, ostrich feathers, and everything—for more than two and one-half miles to get money enough to buy a postage stamp to send you an answer. Out of that kind of service the corporation must pay its employees, buy its materials, pay its rents and taxes, interest on its debt, and make its living. Can you beat it? Can YOU beat it, Mr. Lawyer, Mr. Doctor, Mr. Merchant, Mr. Banker, Mr. Farmer? Is there maximum efficiency in the practice of law? If there is, why are so many contracts and wills taken into court? Why is any court decision ever reversed? Every lawsuit that is won is also lost. If there were maximum efficiency, why should any suit ever be lost? How could so many ex-

pensive hours in court rooms be absolutely wasted? If there were maximum efficiency in banking, would there ever be any bank failures like those, for example, we are now reading about from day to day? Would any merchant ever fail? Would not every farmer get a blue ribbon? If there is maximum efficiency in the practice of medicine, why are there so many undertakers? If it took the Creator six hundred thousand years to make a bed of coal, perhaps the perfect railroad official is yet to be born. Perhaps other perfect people will be born at the same time. You see I am not despondent.

Now, let us look out a little. It is particularly appropriate at a Canadian Club dinner that we look at Canada. As I understand it, your form of government is in one respect just the opposite of ours, viz., your Dominion Government has all the powers not granted to the Provinces, while our States have all the powers not ceded to the Federal Government. What has that to do, you say, with railroads? This: When our United States railroads fall ill from their own indiscretions or otherwise, forty-seven doctors step in—that is, forty-six States and the Federal Government—whereas under your form of government a railroad chartered by the Dominion is regulated by the Federal Government only. See the enormous loss in efficiency and the great strain on the patient under our

methods as compared with yours. This winter there have been introduced in the State legislatures of the United States four hundred and sixty-nine bills affecting the mere operating questions of railroads, besides scores of other bills affecting railroads in a multitude of ways. Of the four hundred and sixty-nine bills, fifty-six are so-called "Full Crew" bills, each of which, if enforced, will add to the railroads' cost of living.

Railroad development in the United States is dependent not only upon the imagination of the engineer and the investor but also upon the legislation of the Federal Government and forty-six States. There will soon be forty-eight. The development of one State may be dependent upon the legislation of another State a thousand miles away.

Let us look out again, and this time across the water to England. Railroads there are permitted to work out *joint* economies. Let us cross the Channel and look at France. That Republic is districted off and wasteful duplication of railroad service is absolutely eliminated. Each company has a monopoly in its district. One French railroad corporation pays dividends of eighteen per cent. per annum on its stock; the others pay seven per cent. or more. And out of their revenues an amortization or sinking fund is also paid to the owners under which

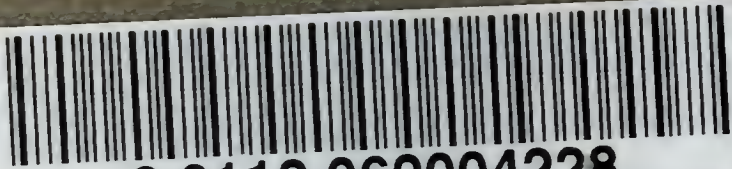
the Republic will become the proprietor of the railroads about the middle of this century.

Reciprocity with Canada has caught the popular imagination. We have no tariff fences between our States. Minnesota and Oregon are not afraid of Dakota, or of Georgia, or of Alabama. Why should all of us together be afraid of Canada, or why should Canada be afraid of us? We absorb in ten or twelve years as many competitive immigrants as the whole present total of your population. We have shown the world a 3,000-mile boundary line without a fortification or a battleship. We shall undoubtedly sometime show all peoples a 3,000-mile boundary line without a tariff fence. We shall partake of your bounty and you of ours. We shall sit down at one hospitable table—under two flags, of course—but as one family on account of the ties of consanguinity—the ties of our common ancestry. The table will stretch not only across a continent, but also from the Arctic Circle to the Gulf of Mexico. The needs of a nation, including the regulation of its railroads, are bigger than Fishhurst-by-the-Sea, or Lumberburg, or Cornville. Your efficiency will sharpen our efficiency. If any of your methods as to government, or banking, or labor questions, or railroads, are better than ours, perhaps we will be wise enough to borrow

some of them. While we are depending upon the imagination of the investor for railroad development, you are right now engaged in what is practically a profit-sharing arrangement with the investors in your railroads. If the option to take out a Federal charter for a railroad is good for you, perhaps such an option will be good for us. Maximum efficiency will require us, sooner or later, to eliminate all burdens on interstate commerce. We will learn to say, "The United States *is* a Nation," not "The United States *are* a Nation." The Brandeis idea is right. What we need is more efficiency. Let every man apply it in the activities of his own life, and let all of us together adopt it on a wider and wider scale,—and incidentally use it to augment international trade. The more we study efficiency, the more we will discover that the Interstate Commerce Law amply protects the country against extortionate rates and discriminations. The anti-trust laws, at least so far as railroads are concerned, involve an appalling waste of energy. We do not need both laws for the railroads any more than a State needs two Governors. Maximum efficiency entitles the people to have the commerce of this great country sent over the lines of least resistance. Duplication of train service, wasteful car supply, unnecessary hauls of empty cars, duplication of capital, and all

that sort of thing ought to be cut out. If this could be done I have no doubt that one hundred million dollars a year could be saved in the operation of American railroads with which to tempt "the imagination of both the engineer and the investor."

In efficiency, American railroads have been pioneers, not laggards. All things considered, they already are the most efficient in the world, and if "scientific management" of the anti-trust laws could be adopted our railroads would excite the admiration of even our own countrymen. Let us drop the old quotation: "In time of peace prepare for war," and in its stead say to our neighbors, "In time of friendship let us prepare for more friendship." In time of efficiency prepare for *more* efficiency. More abundance for the many. Let *things* be cheaper—and men, women, and children more valuable. The welfare of our race, and therefore the welfare of all races, is bound up in the one word, EFFICIENCY.



3 0112 062004228